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C O N F I D E N T I A L SECTION 01 OF 06 NICOSIA 001813

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KNNP, TBIO, PHUM, EAIR, CY

SUBJECT: DOING MORE WITH TURKISH CYPRIOTS ON ISSUES OF
VITAL US INTEREST

REF: A. STATE 201996

[1](#)B. 04 STATE 113612

Classified By: CDA Jane Zimmerman, for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY. The United States policy of supporting economic development in the Turkish Cypriot community has an important role to play in support of a resolution of the Cyprus problem -- however, closer cooperation with the Turkish Cypriots can also help advance other issues of broader national interest. The porous Green Line dividing Cyprus represents a backdoor into the EU -- and the rest of the West -- for illegal immigration, infectious disease, trafficked persons and drugs, theft of intellectual property, and possibly terrorists and WMD material. For political reasons, the GOC is unwilling to cooperate with Turkish Cypriot authorities in the fight against such global threats, while the Turkish Cypriots are unable to take meaningful action on their own because of the poorly trained, underequipped, and underfunded institutions of their unrecognized "state." The largely secular community in the north offers an opportunity to reinforce support for moderate Muslims. In her October 28 (ref a) meeting with Turkish Cypriot leader Talat, the Secretary highlighted the U.S. interest in helping build institutions and capacity in the Turkish Cypriot community. In this cable, Post proposes several specific measures in response to the Secretary's call, which in our view will: 1) boost the ability of the Turkish Cypriots to support U.S. efforts to fight against key global threats that have an impact on U.S. security interests, 2) help prepare the Turkish Cypriots to be full partners in a United Cyprus, and 3) complement our already excellent cooperation with the Republic of Cyprus in these areas. END SUMMARY.

ADVANCING A CYPRUS SOLUTION, ADDRESSING GLOBAL THREATS

[1](#)2. (C) Since the 2004 Deputies Committee decision authorizing assistance to the Turkish Cypriots (ref b), the U.S. has pursued a policy of supporting the economic development of the Turkish Cypriot community -- to help reward and reinforce the strong Turkish Cypriot support for the UN-sponsored

Cyprus settlement plan, and in line with the UNSYG's call to ease the international isolation of the north. U.S. efforts so far have included the \$30.5 million Cyprus Partnership for Economic Growth (CyPEG) program (designed to facilitate a Cyprus settlement by reducing economic disparities between the two communities), an end to ratios that disadvantaged Turkish Cypriot students in U.S.-funded scholarships, and a more sustained political dialogue including meetings between Secretaries Rice and Powell and community leader Mehmet Ali

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Talat. Cooperation with the Turkish Cypriots has remained limited, however, by sensitivities over dealing directly with a "government" the United States does not recognize.

13. (C) There are nonetheless issues of vital interest to the United States in which closer cooperation with Turkish Cypriot authorities is critical. The porous Green Line, which divides the island of Cyprus, represents the de facto eastern frontier of the European Union. The Republic of Cyprus is unable to exercise control over the northern third of the island, and unwilling for political reasons to cooperate with the Turkish Cypriots who do. As a result, the north constitutes a back door into the West for illegal immigrants, drugs, criminals and terrorists -- while Turkish Cypriot institutions are woefully under-prepared to deal with transnational issues such as terrorist finance, WMD proliferation, intellectual property protection, and infectious disease.

14. (C) In his October 28 meeting with the Secretary, Turkish Cypriot leader Mehmet Ali Talat expressed not only a desire to work toward a settlement of the Cyprus problem, but also a willingness -- without asking for recognition of the "TRNC" -- to work with the United States more closely on more global issues that are of concern both to the U.S. and the two communities on Cyprus. The Secretary, in turn, said the USG would look into additional ways to build institutions and capacity in the Turkish Cypriot community. In light of this directive from the Secretary, this paper sets forth additional, specific capacity-building initiatives for the Turkish Cypriots that would serve broader U.S. interests.

PROTECTING EQUITIES: FRAMING NEW USG INITIATIVES

15. (C) Several of the steps outlined below are certain to draw serious criticism from the Government of Cyprus, whose hypersensitivity over dealings with the Turkish Cypriots prompts vehement GOC opposition to any initiatives they feel might represent a precursor to recognition of the "TRNC." We would have to proceed carefully to ensure that new USG initiatives do not do more harm than good by causing the GOC to restrict its own cooperation with us on vital issues such as border security, drug interdiction, terrorist finance, and infectious disease.

16. (C) Our overarching message in proposing the initiatives listed below is that they address problems that pose a threat to the United States, the EU, as well as both communities on Cyprus, and are therefore in the interest of the GOC to support. Eventually, any capacity-building investment in the Turkish Cypriot community will pay off for the Greek Cypriots -- either today, by addressing current transnational problems that do not stop at the Green Line, or in the future, when Turkish Cypriots take their place as partners in a United Cyprus. This is a message we will need to reinforce continually with the Cyprus government, as well as with media and other audiences; it is important to make the case to both communities that our measures are practical, not political.

17. (C) On a more mundane level, the GOC's desire to qualify for the Visa Waiver Program may give us some leverage here, since VWP participation requires effective security cooperation. GOC moves to retaliate against or limit U.S. efforts in this area would raise significant problems for Cyprus's VWP participation. At the same time, the United States should avoid controversy wherever practicable by continuing to funnel training and other support though

Turkish Cypriot NGO cut-outs (such as the Turkish Cypriot Banks Association or Chambers of Commerce and Industry) or through outside contractors (as we are doing with CyPEG) to avoid conferring unnecessary symbolic legitimacy on "TRNC" institutions. The State Department -- by programming assistance through INL, for example -- could also provide a degree of political insulation for agencies such as DEA or FBI, protecting their valuable day-to-day relationship with the GOC from political fallout. We should also seek opportunities to partner creatively with others working to build capacity in the north (especially the UK), thereby diluting criticism leveled against us and getting more bang for the buck.

BITE THE BULLET, BUT KEEP BALANCED WITH THE SOUTH

¶18. (C) In some instances, however, direct and unilateral contact with Turkish Cypriot authorities will be unavoidable, especially when dealing with issues of law enforcement, border security, and public health. In such cases, we should be prepared to accept public criticism as the cost of protecting vital U.S. interests -- and frankly, vital EU and Greek Cypriot interests as well.

¶19. (C) Over the long term, however, the best way to ensure our programs in the north do not cripple our cooperation with the GOC will be to press ahead with balanced, creative initiatives in the south as well. Cyprus was the first EU state to sign a PSI Shipboarding Agreement with the U.S., cooperated closely with FinCEN in the fight against money laundering, and has been an eager recipient of EXBS training and material assistance. The U.S. must keep the Greek Cypriots on side by offering more resources and financing more training, including money laundering/terrorist finance and IPR enforcement, to ensure that our cooperation with the GOC continues. Our final goal should be for both sides to have the willingness and the capability to cooperate effectively with us -- and eventually each other -- on issues of global concern.

SPECIFIC PROBLEMS, SPECIFIC INITIATIVES

¶10. (C) Terrorism Finance/Money Laundering.

Turkish Cypriot authorities lack the legal and institutional framework to meet minimum international standards with regard to combating money laundering and terrorist finance. The north's 23 casinos, 18 offshore banks, and several hundred currency exchange points are largely unregulated, and several worrying cases have been reported. According to UK sources, significant amounts of illicit proceeds from Afghanistan-Turkey-UK drug smuggling operations are being laundered through north Cyprus. The Treasury Department has announced its intent to designate one Turkish Cypriot offshore bank as a "Financial Institution of Primary Money Laundering Concern." One on-shore bank was until recently reportedly controlled by a German organized crime figure, while another has allegedly been receiving proceeds from internet fraud schemes carried out in the U.S. Meanwhile, there is unconfirmed press speculation that Al Qaida could be using the Turkish Cypriot financial system.

The USG has undertaken several steps so far to address these problems, including:

-- Using CyPEG resources to train the Banks Association (an NGO) on Know Your Customer rules and basic anti-ML/TF procedures.

-- Sending a visiting FinCEN official to the north for an informal seminar with Turkish Cypriot regulators (December, 2004). FinCEN has also provided informal advice on major shortcomings in current money laundering legislation.

-- Providing the Turkish Cypriot "Central Bank" with all U.S. designation of individuals/entities as terrorists under E.O. 13224, which the Central Bank distributes to both on-shore

and offshore banks.

-- Working, through IRS London, with the UK Treasury to provide informal advice/assistance in support of "Ministry of Economy" efforts to draft a new anti-money law, including the establishment of a Financial Intelligence Unit.

-- Raising the importance of money laundering/terrorist financing with officials and bankers in the north.

Nonetheless, we can do much more, including:

-- Cooperate more closely to complement UK efforts in the area of Terrorist Finance. (The UK has a 50,000-pound sterling program to help the Turkish Cypriot authorities improve their financial control measures, and is providing advice on the drafting of a new casinos law.)

-- Provide additional training (both in Cyprus and the U.S.) on terrorism finance to the "Central Bank" and "Ministry of Finance," which oversees the offshore banks.

-- Assist Turkish Cypriots in developing a package of amendments to other legislation that will complement and reinforce the draft money laundering and casino law.

-- Work with the judiciary, regulators, and law enforcement to improve their ability to investigate, prosecute and adjudicate money laundering/terrorist financing cases, which currently languish because investigators are unfamiliar with financial issues or due to a lack of international cooperation.

-- Share U.S. law enforcement information pertaining to suspected activities involving entities in north Cyprus with Turkish Cypriot "officials."

11. (C) Border Security and Counterproliferation Cooperation.

The question of political recognition has severely restricted the ability of the U.S., EU, and others to provide help to - or engage in direct cooperation with - Turkish Cypriot police, customs and border authorities. As a result, almost no steps have been taken to address the proliferation and border security concerns, which the north's poorly trained, poorly equipped authorities are unable to handle alone. Embassy Nicosia's EXBS program recommends the following training, for which EXBS funding is already largely available:

-- Contraband Enforcement Team Training (CET) for select groups of Turkish Cypriot customs officers, with a goal of establishing a standing Contraband Enforcement Team.

-- Basic WMD Inspectors Workshop, provided by DHS, CBP for Turkish Cypriot customs officers in basic inspection techniques, use of specialized equipment, and familiarization with export control enforcement.

-- Basic Integrated Export Control and Border Security Training (BIECBS) conducted by DHS, CBP for all Turkish Cypriot agencies involved in export control and border security, which would demonstrate methods, techniques, and practices necessary for a cohesive export control and border security system. This system would eventually coordinate the efforts of all agencies involved in export control and border security. At the outset, however, such training would provide Turkish Cypriot "officials" guidance on establishing units responsible for enforcement, intelligence, targeting, investigations, and prosecutions in the area of nonproliferation.

-- WMD Basic Course, provided by DOD/DTRA, ICP, to give Turkish Cypriots an overview of the WMD threat and enforcement techniques.

-- WMD Criminal Investigations Course, provided by DOD/DTRA, ICP to introduce police and customs to techniques for investigating WMD and nonproliferation violations.

Similarly, the Turkish Cypriot authorities could make immediate use of the following nonproliferation-related equipment, for which DOE funding could be made available: radiation portal monitors for the ports of Famagusta and Kyrenia and for Ercan airport; basic Inspectional Tool Kits; radiation pagers; Contraband Detection Kits; X-Ray Equipment to examine ferry passenger luggage, a pallet X-Ray system for Ercan Airport.

Finally, EXBS proposes the following assessments to gauge better deficiencies in the north's border security and recommend further areas for training and assistance:

- Port Assessment, conducted by a short-term EXBS advisor (a U.S. Customs Inspector), of Famagusta and Kyrenia. The TDY advisor would spend 30 days evaluating the procedures employed by Turkish Cypriot Customs at the two ports, and assist "authorities" in establishing a Targeting and Risk Management Unit.

- Enforcement Assessment, conducted by a short-term EXBS advisor (special agent), focusing on enforcement entities and establishing a coordinated protocol for responding to WMD seizures and conducting non-proliferation investigations.

- Legal Assessment, to evaluate existing legal structure and help develop a legal framework for export controls. A TDY team, consisting of an Assistant US Attorney (AUSA) and a Federal Judge, would conduct a five-day assessment to analyze the current laws and prospective legislation, and to conduct interviews with prosecutors and members of the judiciary, along with those who work in conjunction with the legal system. The assessment will provide the foundation for the Turkish Cypriots to establish a legal framework for export control law and regulations. The assessment would also bring Turkish Cypriot prosecutors and judges together to foster judicial system support for the creation of a legal framework.

12. (C) Cooperation Against Drug Trafficking.

In addition to causing counterproliferation concerns, the north's weak law enforcement capacity also creates a significant opening for drug trafficking. Post DEA, either directly or with INL funding and assistance, recommends:

- Sponsoring Turkish Cypriot participation in the 2-week Basic Investigators Course.

- Providing 1-week Asset Forfeiture and Money Laundering Training to bankers, banking regulatory officials, police, prosecutors, and other court officials.

- Providing Operation Jetway training in the U.S. for 2-4 police officers (1 week) to enhance airport security and anti-smuggling training.

- Providing the \$35,000 network computer requested by Turkish Cypriot police to support a database that would help track criminal organizations and support a new criminal intelligence arm within the police force.

13. (C) Avian Influenza & Other Infectious Diseases.

The north's underdeveloped "state" infrastructure seriously compromises its ability to monitor and combat transnational health threats, especially infectious diseases such as avian flu. This problem is aggravated by the peculiar politics of Cyprus, in which the GOC refuses all cooperation, for political reasons, with officials of the "TRNC." While making clear that direct training for employees of the "TRNC" does not constitute recognition, we should explore ways to:

- Have NIH or CDC specialists train Turkish Cypriot doctors and public health officials in techniques to monitor, diagnose, and combat communicable diseases.

- Support Turkish Cypriot contingency planning efforts and,

as required, serve as a channel of communication between Turkish Cypriot authorities and other countries or international health institutions.

-- Offer material assistance as required in the form of medicine, supplies or equipment to help monitor, diagnose, and combat the spread of avian flu.

14. (C) Trafficking in Persons.

The north continues to be a significant destination for trafficked persons, and the "TRNC,s" thriving sex industry in the form of "night clubs" and "cabarets" poses a significant TIP problem. TIP is also a major concern in the south. Turkish Cypriot "officials" have shown a willingness to cooperate in the combat against TIP by addressing deficiencies in their legal framework, conducting workplace and health inspections, and offering better support and educational services to women employed in clubs. The U.S. should continue to encourage both Turkish Cypriots and Greek Cypriots to make further progress along these lines, providing advice and training through our bicommunal development and support funds where needed.

15. (C) Airport Safety and Security

The north's Ercan airport is considered illegal by the GOC, and only Turkey and Azerbaijan permit international flights to land there - over the protests of the Cyprus government. The Turkish Cypriots believe that direct flights between north Cyprus and the U.S./EU would boost the development of their tourism-dependent economy, but have not yet filed a formal request. Meanwhile, Ercan nonetheless handles significant numbers of tourist passengers - especially from Europe, but also from the Greek Cypriot community and even the United States. As a practical matter, improving the safety and security practices at Ercan will help increase the safety and security of U.S. citizens and air travel in general.

Turkish Cypriot authorities have taken significant steps, with help from Turkey, to ensure Ercan airport meets ICAO security standards. One of their most significant outstanding problems is the lack of a formally documented set of security procedures and practices, and the lack of a formal "national" security plan including contingency planning as required by ICAO. Turkish Cypriot authorities also have little experience or formal training in the detection of visa and other travel document fraud. Two TSA agents conducted an informal survey of the airport in November 2004, and Embassy consular officials have begun periodic contact with Turkish Cypriot immigration authorities there. Additional steps we could take include:

-- Extending EXBS training and assistance to Ercan Airport, including the provision of radiation portal monitors and a pallet X-ray system.

-- Having TSA/Rome conduct a follow-up visit to assess progress on documenting procedures and drafting "national" security plan.

-- Including Turkish Cypriot aviation "officials" in TSA-sponsored courses on security planning in U.S. and

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abroad.

-- Authorizing a full and formal TSA and FAA surveys of Ercan to ensure the USG has a complete picture of the security and safety situation there in the event an application for direct flights is received.

-- Initiating a sustained, regular relationship between Turkish Cypriot immigration "officials" and Embassy consular staff, who will provide training in document fraud detection and other areas relating to border security.

-- Allocate DS/ATA funds to improve the counterterrorism capacity of law enforcement personnel at the airports and elsewhere in the north.

116. (C) Muslim Outreach.

The Turkish Cypriots are a highly secular, democratically governed Muslim community. Apart from any considerations relating to the Cyprus problem, it remains in the broader U.S. interest to engage in a closer cultural and educational relationship with the Turkish Cypriot community to encourage this community to remain a western-leaning example to other Muslims in the region. The large number of students from the Middle East and South Asia -- attracted by high quality universities as much as by the north's secular culture -- expands our potential to engage with other moderate Muslims. Programs to increase this cultural and educational contact should include, but not be limited to:

-- Seek an invitation for Mehmet Ali Talat to attend the National Prayer Breakfast in Washington, not in any "official" capacity but as the elected leader of the largest Muslim community on Cyprus.

-- Foreign Language Teaching Assistant (FLTA) and other Fulbright teacher exchange programs for Turkish Cypriot teachers, to contribute to English language capacity in the north.

-- English Language Fellows to improve the English language capacity of secondary teachers, of journalists, of imams, and public servants.

-- Providing Drug Prevention training to public schools in the north, a program which has been requested by Turkish Cypriot education "authorities."

117. (C) Intellectual Property Rights.

The Turkish Cypriot community lacks a basic understanding of IPR, which has opened the door to a thriving trade in pirated goods, music, and movies. Antiquated Turkish Cypriot laws and spotty enforcement mean that artists and businesses from the U.S. and elsewhere suffer from theft of their ideas and products. The "TRNC Ministry of Economy" is willing to accept U.S. help to prepare new legislation and training. It is in the interest of U.S. business to help protect IPR in the north by:

-- Financing the participation of a Turkish Cypriot official in the USPTO IPR Training Academy.

-- Hiring a contractor to work with the "Ministry of Economy" to prepare modern IPR legislation.

-- Providing training to Turkish Cypriot "officials" on the enforcement and protection of IPR.

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